

**EMPLOYEE PLANS
FY 2003
WORK PLAN**

Program Guidance



September 2002

TABLE OF CONTENTS

<u>Topic</u>	<u>Page</u>
Executive Summary.....	3
Rulings & Agreements	
Overview.....	6
Major Strategies.....	6
Determinations.....	7
Voluntary Correction Program.....	10
Opinion Letters/Rulings.....	11
Technical and Procedural Guidance.....	12
Customer Education and Outreach	
Overview.....	14
Major Strategies.....	15
Customer Education Program.....	16
Outreach.....	17
Examinations	
Overview.....	18
Major Strategies.....	18
Specific Goals and Objectives.....	19
Business Results.....	19
Customer Satisfaction.....	21
Employee Satisfaction.....	22
Examination Initiatives.....	22

FY 2003 Employee Plans Work Plan

Executive Summary

The EP work plan is designed to provide program guidance to all EP employees for FY 2003. Managers are encouraged to discuss this document with their employees so that they have a better understanding as to the role they play in achieving organizational results. Program priorities are provided in each of the three program areas: Rulings & Agreements, Customer Education & Outreach (CE&O) and Examination.

In looking ahead to FY 2003, it is important that we reflect on our organizational accomplishments in FY 2002. **Customer Satisfaction** ratings for both determinations and examinations have never been higher. The latest survey reports (July 2002) for the period ending March 2002 illustrate this:

- ✓ Determinations - 5.81 out of a possible score of 7.0
- ✓ Examinations – 5.77 out of a possible score of 7.0

In addition, it is important to note that only 7% of the examination responders and 6% of the determination responders expressed “dissatisfaction” (a rating of a 1,2 or 3). These results are a positive reflection on the entire organization and are directly attributable to the professionalism and performance of our front-line employees.

The EP Compliance Resolution System (EPCRS) continues to be the centerpiece of our efforts to maximize **Voluntary Compliance**. A Voluntary Compliance Council, consisting of members from R&A, Examination, CE&O and Voluntary Compliance, was created in FY 2002. The Council’s primary goal is to maximize consistency in our correction policy and procedures. In our continuing effort to meet customer needs, Voluntary Compliance will further revise EPCRS to address customer concerns, enhance use of the correction programs and improve program efficiency.

Our **Customer Education & Outreach** (CE&O) programs have a major impact on our ability to meet customer needs. Many of you have already participated in the EP Benefits Conferences, given speeches, attended workshops and/or participated in panel discussions with practitioner groups and have seen first-hand how customer partnerships can meet the need for educational services. The expanded use of our outreach efforts through the *Employee Plans News*, publications, educational videos/CDs and website enhancements play a major part in assisting our customers understand their tax responsibilities. Major strides have been achieved in addressing our Operating Priority of “Increase

retirement plan information and services for small business customers”. The nationwide Tax Forums and the recent publication on *Choosing a Retirement Solution for Your Small Business* (Publication 3998) have both been extremely well received by the public. During FY 2003 it is critical that these efforts continue and we further enhance our communication with all of our stakeholders. For more information on CE&O activities turn to pages 14-17.

Through **Customer Satisfaction** and **Customer Education & Outreach** the focus of much of our attention is on the employers who already have, or are considering a retirement plan for their employees. While we all acknowledge that a goal of our efforts in EP is to protect the benefits of plan participants, we also realize that the employers who choose to maintain plans are also our customers. In this regard, EP strives to encourage and facilitate the provision of retirement benefits by employers to their workers by making the establishment of a plan easier and the operation of a plan less burdensome.

Moving on to **Employee Satisfaction**, EP understands that a fully engaged workforce is essential to the accomplishment of all our goals. We continue to pay close attention to the results from the IRS/NTEU Survey2002. Overall satisfaction increased in nearly all areas within EP, and TE/GE showed the most significant improvement of any organization in the Service. The EP management team thanks all those who took the time to take this survey as it is the best measure for gauging the effectiveness of our actions and identifying opportunities for improvement. During FY 2003, it is critical that managers at all levels of the organization use the results from Survey2002 to identify areas for improvement. Those issues that cannot be resolved at the local level must be elevated to the next managerial level for resolution. The TE/GE Division National Partnering Council has already reviewed the verbatim responses that accompanied the Survey results and has begun the process of identifying ways to address recurrent themes.

During FY 2003, we will also be working with NTEU to better align our resources for working determinations in the future. A task group is currently evaluating the process to be used. The goals of this realignment are to enhance determination consistency, reduce training needs, and streamline managerial responsibility.

In the area of **Business Results (Quality)**, TEQMS results will continue to be used as a primary measure of organizational performance. The respective Quality Assurance staffs will publish TEQMS results quarterly. Managers should ensure that these reports are discussed with their employees. Timeliness (cycle time) will also be evaluated to gauge our effectiveness in closing both determination and examination cases. The “time spent on a case” is frequently cited within the Customer Satisfaction surveys as an area that customers would like to see improved. Efforts to identify ways in which the TEQMS standards might better reflect case quality began in August, and input is invited from all employees on the effectiveness of these standards. While various cycle time

and timeliness objectives have been established, **managers and employees should both ensure that cases are not closed prematurely simply to meet a cycle time objective.**

During FY 2003, **Business Results (Quantity)** will primarily be directed towards completing the review of the GUST application receipts. The September 2002 inventory of approximately 40,000 cases (which is 4 times greater than normal inventory levels), coupled with the FY 2003 increase in Form 5307 applications from adopters of pre-approved plans, will necessitate a continuing shift of resources into the determination program. The volume of cases will also require the continuance of the Technical Screening sites in the Area Offices. For more information on the determination program turn to page 7 of the work plan.

In the examination area there are two primary operating priorities for FY 2003. They are:

- *Refining the compliance risk assessment with data from examinations* – this initiative focuses on the identification of compliance risks for various industries and plan types, based on data from prior examinations and other factors such as plan assets and the number of plan participants.
- *Collaborating with DOL to identify Form 5500 nonfilers* – this initiative will identify and contact pension plan sponsors required to file a Form 5500, but there is no record of a return being filed. A statistical sample will be drawn to validate the data sources before any mass mailing occurs.

Additional information on these examination initiatives can be found on pages 18 and 19.

You are encouraged to use the work plan as a reference tool throughout the year. It is important that all employees are aware of the EP organizational challenges we will be facing throughout FY 2003 as well as the program initiatives and operating priorities that are being implemented.

PAC 1E – Rulings & Agreements

Rulings & Agreements Program Guidance

OVERVIEW

Rulings & Agreements will focus on assuring plan sponsors' compliance by offering up-front programs to achieve the following objectives:

- Issuing timely and accurate determination letters to applicants;
- Providing easily accessible, consistent and equitable voluntary compliance programs,
- Issuing timely and accurate opinion letters and private letter & actuarial rulings; and
- Publishing technical and procedural guidance for both our internal and external stakeholders.

MAJOR STRATEGIES

- **Improve Organizational Performance**

The following operating priorities will address this strategy:

Stabilize EP Determination Receipt Flow. To address the significant variation in application receipts caused by legislative changes, a White Paper was issued to solicit stakeholder comments on long-term alternatives to the current determination process. These comments will be evaluated during FY 2003 to recommend a course of action to alleviate the fluctuation in receipts.

Establish Dedicated Examination and Determination Workgroups. To eliminate the need to shift resources to work determination applications; a task group has been formed to determine the process to be used to assign determination managers and agents in the Area Offices to the Manager, Determinations. This realignment will enhance consistency, reduce training needs, and streamline managerial responsibility. No relocation of employees will occur. The EP Partnering Council and the national NTEU Office will be briefed during the 1st quarter of FY 2003 on the proposed guidelines. The timing of the transfer is dependent on securing NTEU concurrence as well as the determination inventory situation.

DETERMINATION PROGRAM

The significant increase in determination receipts in FY 2002, due to the GUST amendment workload, has resulted in a substantial increase in inventory. The August 2002 inventory of approximately 40,000 cases is four times greater than our normal inventory level of 10,000 – 12,000 cases. In an effort to accelerate the processing of the determination workload, resources were transitioned from working exams. In addition, 5 Technical Screening Centers were established in the Area Offices to assist with the processing of the application receipts.

During FY 2003, efforts will continue to be directed towards completing the review of these applications and plan documents as efficiently as possible. Complicating our efforts to reduce the inventory is the fact that a high percentage of the receipts were individually designed plans, many of which are graded at the 12/13 levels. These cases will take longer to process because of their complexity and since most are complete plan restatements.

Application receipts are expected to continue at much higher than normal levels during FY 2003. However, since the increase will primarily be attributable to the filing of applications by adopters of pre-approved plans (both Volume Submitters and Master & Prototypes) it is expected that a vast majority of these receipts will be processed more expeditiously. The volume of cases will necessitate the continuance of the Technical Screening sites in the Area Offices and the shift of resources to the determination program. It is our goal to reduce the inventory to approximately 15,000 cases by the end of FY 2003. The specific planning assumptions used in determining the amount of time to be applied to determinations are provided on page 8 of this document.

A. General Information

- Revenue Procedure 2001-42 provided a separate remedial amendment period for the Economic Growth and Tax Relief and Reconciliation Act of 2001 (EGTRRA). Notices 2001-56 and 2001-57 provide additional EGTRRA guidance.
- The vast majority of adopters of Volume Submitter and Master and Prototype plans will submit their applications for a determination letter during FY 2003.

B. Training

Cincinnati recently hired 13 tax law specialists and they were trained during August and September 2002 to assist with the significant increase in determination workload. Cases that would normally be merit closed will be made available to these agents during the OJI period of their training.

Determination Phase II and III pilot classes will be held in FY 2003. Based on the results of the pilot classes a decision will be made on the timing of subsequent classes.

C. Technical Screening

Due to the high volume of cases awaiting technical screening, the 5 Area Office Technical Screening Centers will need to continue to assist Cincinnati with the screening function. A high level of Form 5307 applications is expected in FY 2003 as adopters of Volume Submitter and M&P Plans seek determination letters. The greatest volume of receipts is expected from December 2002 – January 2003. It is expected that the Area Office technical screening sites will remain in operation until Cincinnati is in the position to handle the inventory without assistance.

D. Quality Assurance

The Determinations Quality Assurance Staff will continue to review nationwide samples of inventory to ensure consistency of determination work. TEQMS results will be published quarterly in monitoring reports from the Quality Assurance Staff. Managers should ensure that these reports are discussed with their employees. The FY 2003 goal is to further improve the overall quality of determination cases with a goal of achieving an 83% quality rate.

Quality Assurance will continue to take an active role in providing internal guidance to enhance consistency and in conducting needed training. This training will include another series of "Roadshow" visitations to Area Office determination sites. In addition, the "Technical Clearinghouse" staff will continue to answer questions from internal customers.

E. Planning Assumptions

The following assumptions were used in planning the time applied to the determination program in FY 2003:

- An estimated 74,000 determination receipts are expected. The majority of these receipts will come from adopters of pre-approved plans. These adopters have until one year after the lead plans are approved to submit for a determination letter or until December 31, 2002, whichever is later.
- Minimal time will be applied to Volume Submitter and M&P plans. The vast majority of these plans were closed during FY 2002.
- Area Office technical screening resources will continue to be applied to keep this operation as timely as possible.
- Due to the volume of receipts, a high level of coordination between Cincinnati and the Area Offices is crucial to ensure that overall quality and timeliness is maintained.
- Based on the grade level of the cases in inventory, grades 12 and 13 work is expected to remain high.

F. Goals and Objectives

□ Business results (Quality)

- *Timeliness (cycle time)* - The computation of cycle time will be based on a 12-month "rolling average." **While various cycle time/timeliness objectives have been established, it should be emphasized to all managers and employees that cases should not be closed prematurely simply to adhere to a cycle time objective.**
- *Merit closures* (applicable to Ohio and the Area Office screening sites only) - the objective is 75 days from the control date to the closing of the application (EDS table 6b.1) The 12 month rolling average national baseline as of 8/31 is 97 days;
- *Technical Screening with Contact (disposal code 09)* - this is only applicable to Ohio and the Area Office screening sites) – Baseline information will be gathered in FY 2003 with a goal established in FY 2004.
- *Cases worked at the group level (status 75 or 52 to closing)* - this includes all non-merit closures (disposal codes 00, 01 and 02), excluding those applications that were transferred to other Area Offices (EDS table 9.1). The national objective is 125 days and the 12-month rolling average national baseline (as of 8/31) is 129 days.
- *All Cases* - the national objective for all cases closed (merit and status 75 or 52 to closing cases worked at the group level) with a determination letter issued is 155 days (EDS table 8e.1). The 12-month rolling average baseline (as of 8/31) is 146 days.

□ Business Results (Quantity)

Determination cases closed will be used as the performance indicator. The primary focus will be on reducing the significant build-up in inventory due to the GUST amendments. The volume of Form 5307 application receipts in FY 2003 will impact attainment of the targeted closures and will also be used to evaluate this measure.

□ Customer Satisfaction

Customer Satisfaction ratings for determinations continue to be very good. The rating for the latest quarter (period ending March 2002) for determinations was 5.81 out of a possible score of 7.0. The goal for FY 03 has been reduced to 5.7 due to the high inventory situation.

New targets are also being established for the percentage of customers satisfied and the dissatisfied. Those goals are shown below. The lowest rating in the surveys were for length of the process and the time spent on issue. Continuing

efforts should be focused on addressing these areas where opportunities for improvement exist.

MONITORING

The following performance indicators will be used in FY 2003 for assessing the effectiveness of the determination program:

Employee Plans	FY2002 Actual – 8/02	FY2003 Goal
Timeliness (merit closures)	97 ¹	75
Timeliness (Tech. Screening w/contact - disposal code 09 (effective 10/02))	N/A	Baseline
Timeliness (cases worked at group level)	129	125
Timeliness (all cases)	146	155
Determination quality (6/02 actual)	85%	83%
Determination cases closed	37,675	98,400
Customer Satisfaction ²		
Overall Customer Satisfaction	5.81	5.7
Satisfied Customers (rating of a 6 or 7)	71%	70%
Dissatisfied Customers (rating of 1,2 or 3)	6%	7%

THE VOLUNTARY CORRECTION PROGRAM (UNDER EPCRS)

The Employee Plans Compliance Resolution System (EPCRS) provides a comprehensive system of correction programs that permit plan sponsors to correct failures in qualified plans, tax sheltered annuities and Simplified Employee Pension Plans, thereby enabling them to provide plan participants with retirement benefits on a tax-favored basis. EPCRS has three components:

- the Self-Correction Program (SCP),
- the Voluntary Correction Program (VCP) and,
- the Audit Closing Agreement Program (Audit CAP).

EPCRS is described in detail in Rev. Proc. 2002-47, 2002-29 IRB 133, which can be found on the IRS internet site at: www.irs.gov/ep. Audit CAP and SCP are applied on cases under examination. The Voluntary Correction Program is administered in the Voluntary Compliance (“VC”) component of Rulings and Agreements.

¹ Through May 2002, the cycle time for 06 closings was 80 days. The timeliness goal of 75 days was adversely impacted by the high volume of receipts in February and March.

² The FY 2002 column is based on the July 2002 report that covers the period ending March 2002.

There are four groups of employees dedicated to VC work; these groups are dispersed geographically across the country. During FY 2003, VC will continue to monitor its case processing and apply staffing to the extent necessary to efficiently process the case inventory.

To enhance consistency across all EPCRS programs administered in R&A and Examinations, VC will issue digests of correction issues on a quarterly basis. In addition, the uniform procedures on Audit CAP and SCP, set forth in the FY 2002 CPE text, will be reevaluated based on employee feedback and modified to the extent necessary.

A VC Council has been established to create a link between VC and other parts of the organization. The Council is responsible for high-level guidance to assure cross-program consistency throughout all of EP. The Council will meet on a quarterly basis.

VC will also expend resources developing and implementing a national database, which will aid in inventory control.

The EPCRS revenue procedure will be updated to provide for new refinements and improvements to EP's correction programs.

During FY 2003, VC will apply resources to preparing a VC home page, which will provide for information relating to EPCRS and the VC organization, to help educate our customers about the responsibilities of plan sponsorship and the opportunities to enhance proper maintenance of plans through EP's correction programs

Training with respect to procedural and correction issues for VC employees, EPCRS coordinators from Examinations and representatives from EP&R will continue.

PERFORMANCE MEASURE

The number of voluntary compliance cases closed will be used as an indicator of performance.

Employee Plans	FY2002 7/02 Actual	FY2003 Goal
Voluntary Compliance cases closed	780	750

OPINION LETTERS/RULINGS

The Technical and Actuarial groups are responsible for issuing opinion letters on various types of Master and Prototype Plans; issuing private letter rulings; reviewing funding waivers; issuing general information letters; assisting agents

in all areas by issuing technical advice on determination/examination cases; and, providing technical quality assurance.

Technical provides actuarial support inside and outside the Service in various capacities. Each Area Office has access to at least one actuary to provide technical guidance on difficult examination and determination issues.

Specific areas of focus in FY 2003 are:

- a) M&P Program - Process opinion letter requests of sponsors of IRAs, SEPs, and SIMPLE SEPs submitted under Rev. Proc. 2002-10. The Revenue Procedure required all prototype IRAs, SEPs, and SIMPLE SEPs to be amended to incorporate EGTRRA changes and the final required minimum distribution rules. Applications under the Revenue Procedure must be submitted no later than December 31, 2002.
- b) Private Letter Rulings – action on many of these cases has been delayed due to the necessity to timely process the M&P workload. Resources will be redirected to working these cases with priority given to those with the oldest control dates.

Employee Plans	FY2002 8/02 Actual	FY2003 Goal
Technical Activities closed	3,584	2,500

Projected FY 03 disposals are lower than FY 2002 due to: 1) a change in workload mix from M&P applications to private letter rulings and 2) the elimination of telephone calls from the count of the number of cases closed.

TECHNICAL AND PROCEDURAL GUIDANCE

Technical guidance is an integral part of an Agent's/Tax Law Specialist's tools for applying pension law and keeping abreast of its frequent changes. The interpretation of law and development of the IRS procedures as they apply to the Determination and Examination programs is the optimal way to assure consistency. The availability of timely guidance not only promotes efficiency, but it facilitates professionalism that enhances both employee satisfaction as well as customer satisfaction.

The objective of published guidance is to assist in procedural matters and to provide timely and current technical guidance consistent with the annual Guidance Plan that is established in conjunction with the Office of Chief Counsel of the IRS and the Office of Tax Policy of the Department of the Treasury. In addition to publishing routine and as needed procedural guidance, it is

anticipated that during FY 2003 final Income Tax Regulations will be issued under:

- section 401(a)(9) on required minimum distributions,
- section 414(v) pertaining to catch up contributions, and
- section 417(a)(7) pertaining to a retroactive annuity starting date.

In addition, it is anticipated that technical guidance in the form of revenue rulings and notices will be issued with respect section 72(t) as to what are substantially equal periodic payments, and section 408(d)(3) regarding a waiver of the 60-day requirement for rollovers.

Employee Plans	FY2002 8/02 Actual	FY2003 Goal
Guidance Documents Published	57	48

PAC 1C – Taxpayer Communication and

Customer Education & Outreach Program Guidance

Education

OVERVIEW

Employee Plans Customer Education & Outreach (CE&O) helps EP's external customers (*plan practitioners, plan sponsors, plan participants and plan vendors*) understand their tax responsibilities by achieving the following two objectives:

- Develop a tailored customer education program focused on TE/GE's strategic/program priorities and identified customer's demand/need for educational services.
- Through customer partnerships, evaluate non-compliance trends and feedback to design/maintain proactive electronic outreach products, forms/publications, *Employee Plans News* (electronic newsletter), and Retirement Plans Internet Website for use by customers.

Activities relating to CE&O include both direct and indirect contacts with external customers.

- **Direct** contact with customers through IRS delivery at EP Benefit Conferences, speeches/workshops/ panels and exhibiting.
- **Indirect** contact with customers through newsletters, publications (includes educational videos and interactive CDs), websites and customer partnerships.

CE&O will support the programs of Examinations and Rulings & Agreements by providing products and services that communicate to external customers educational information on these programs. In coordination with the Department of Labor (DOL), CE&O will implement an education campaign designed to encourage employers to maintain retirement plans by providing information about all phases of the process. The campaign is entitled ***Retirement Plan Life Cycle*** and focuses on the following four stages:

- *Choosing*
- *Establishing*
- *Operating*
- *Terminating*

This campaign will help customers understand the benefits and responsibilities of retirement plans at various stages in the life cycle.

SUMMARY OF PERFORMANCE INDICATORS

The following performance indicators will be used in FY 2003 for assessing the effectiveness of CE&O programs and activities:

Employee Plans	FY2002 Actual - July	FY2003 Goal
Number of Outreach Efforts	265	320
Customers Reached (direct)	51,778	54,000
Customers Reached (indirect)	432	450

The EP portion of the FY 2003 Critical Measure, TE/GE Education & Outreach FTE, is 45 FTEs.

MAJOR STRATEGIES

- **Meet Customer Needs**

The following operating priorities will address this strategy:

Increase retirement plan information and services for small business customers. Partner with DOL and SB/SE Division to educate small business customers.

- With DOL, develop and implement the Retirement Plan Life Cycle campaign with a focus on small businesses. Joint DOL/IRS publications (along with the Small Business Administration and U.S. Chamber of Commerce) will be developed and marketed. Under the Choosing Stage of the Life Cycle, one joint publication developed is *Choosing a Retirement Solution for Your Small Business*.
- With SB/SE Division, coordinate to add further Retirement Plans information onto the Small Business Resource Guide (CD-ROM) and the Retirement Plans Web Page plus, integrate Retirement Plans Information onto the Virtual Small Business Workshop CD-ROM.

- **Improve Knowledge and Information Management**

The following improvement project will address this strategy:

- *Develop data management tools for outreach programs.* In the short-term, CE&O will utilize the EP Customer Education Database and other databases/tools. In conjunction with EO, efforts will be directed to increase functionality with the EP CE&O Events Calendar to consolidate functions from the EP Customer Education Database.

CUSTOMER EDUCATION PROGRAM (Direct Contact)

Priorities for the Customer Education Program are to:

- Partner with **DOL** and **SB/SE Division** to educate small business customers;
- Work with **IRC 403(b)/457** Compliance Planning Group to continue education to IRC 403(b) customers plus increase education to IRC 457 customers;
- Work with **IRC 401(k)** Compliance Planning Group to focus on IRC 401(k) customer education;
- Work with **Voluntary Compliance** to encourage plan sponsors to conduct self audits and correct any defects;
- Support **2003 IRS Nationwide Tax Forums**;
- Maintain **EP Customer Education Briefing Binder** (with links to **EP Speaker's Resource Library** (Intranet)) plus continue to work on effective use by EP employees of the library in their delivery of customer education;
- Support EP and TE/GE cross-functional **exhibiting** using various exhibit display booth units. The key message for EP exhibiting is "Partnering to Protect Retirement Benefits"; and
- Co-sponsor **EP Benefits Conferences**. These conferences include the following:

Spring EP Benefits Conference Season:

- Great Lakes Benefits Conferences
- Mid-Atlantic Benefits Conference
- Cincinnati Employee Benefits Conference
- Northeast Benefits Conference

Fall/Winter EP Benefits Conference Season:

- SWBA/IRS Employee Benefits Conference
- Los Angeles Benefits Conference

Planned enhancements include:

- Marketing Scheduled Agenda Topics (*listing of topics covered at multiple conferences vs. only locally held*)
- Marketing Scheduled IRS Speakers (*listing of speakers at multiple conferences vs. only locally held*)
- Scheduling of IRS Speakers (*i.e., issuance of "group" reporting instructions*)
- Ensure IRS Perspective & Uniform Message reflected in Binder Material & Presentation
- Comments/Questions Collected & Analyzed for Trends
- Uniform Feedback Collected & Analyzed

OUTREACH (Indirect Contact)

CE&O will coordinate outreach activities centrally to foster customer partnerships, increase customer education and leverage existing resources to develop and deliver outreach products. Outreach products include *Employee Plans News*, educational videos, educational diskettes/CD-ROMs, and publications. The available products will be offered to customers through various outreach options (for example, IRS Retirement Plans Web Page or customer partnerships).

Employee Plans News – 4 editions (Fall, Winter, Spring and Summer), plus periodic special editions, will be issued.

Forms/Publications –Existing forms and publications will be maintained. Efforts will be undertaken to assess external customers' needs on any necessary changes to existing forms/publications. Based on the *Retirement Plan Life Cycle*, develop/produce new publications in coordination with DOL.

Intranet/Internet - An **Internet/Intranet Team** (CE&O Area Analysts and a Senior CE&O Analyst) will timely develop and post information to the websites. This will be accomplished by:

- Working with content owners, develop/maintain individual EP Intranet pages for applicable offices (with priority given to offices having centralized responsibilities (i.e., Determinations and Examinations Programs & Review)).
- Marketing new Retirement Plans Web Page (Internet) Categories – Content & Topics

Customer Partnerships - involves developing partnership with government agencies, practitioner/stakeholders groups and advisory councils of practitioners who provide input to EP. The CE&O Staff will establish a Customer Partnership Team with a primary Senior CE&O Analyst and CE&O Area Analysts. This team will coordinate national customer partnerships. Individual area analysts will work locally in each respective area on customer partnership efforts through applicable customer partnership groups. Also, this team will nationally coordinate EP Benefits Conferences and Practitioner/Liaison/Councils groups.

Products (Electronic) Development - Projects will be undertaken to develop electronic outreach products based on:

- input from 401(k) Compliance Planning Group and External Customers, develop/produce 401(k) outreach products.
- recommendations from customer satisfaction surveys, develop/produce applicable outreach products.

Further Marketing will occur on Retirement Reports (on tax sheltered annuities and 457 plans) Video, Resource Guide (CD-ROM) for IRC 403(b)/457 Plans and Resource Guide (CD-ROM) for Voluntary Compliance.

PAC 7G – Tax Reporting Compliance

Examinations Program Guidance

OVERVIEW

EP Examinations will identify and correct non-compliance by meeting the following strategic goals:

- Conduct focused, efficient examinations.
- Resolve issues at the lowest possible level using appropriate resolution mechanisms.
- Ensure consistency and fairness in application of law.
- Maintain a high level of Examination Customer Satisfaction.
- Coordinate with other TE/GE functions, other IRS functions, and other Federal Agencies to identify emerging areas of non-compliance.
- Improve the overall quality of our examinations based on both TEQMS and Customer Satisfaction results.

MAJOR STRATEGIES

- **Understand and Improve Compliance**

The following operating priorities will address this strategy:

Refine EP's Compliance Risk Assessment with Data From Examinations. Risk Assessment methods, limited scope examinations, and other market-segment based approaches will be used to increase efficiency. The EP compliance stratification will be refined by identifying, through the process of Risk Assessment, market segments with the highest levels of non-compliance. Then, in collaboration with other TE/GE functions, such as Research and Analysis and CE&O, efforts will be directed to developing appropriate strategies to improve compliance in these areas. This approach will be used to document baseline data and to validate compliance levels by market segment.

Work will continue on the profit-sharing plan segments in 4 of the industries that the Risk Assessment Study has shown to have high risk (relatively high change rates) and low reliability (relatively low number of examinations). These segments are comprised of profit-sharing plans in the following industries:

- Finance and Insurance,
- Construction,
- Professional and Scientific Organizations, and
- Health Care and Social Service employers.

Selections from other market segments will be made as the determination workload permits and will be based on key factors such as number of participants, total assets and audit history. One example of a market segment with a significant number of participants that has been targeted for examination is IRC 401(k) plans in the manufacturing industry.

Consistent with a TIGTA recommendation, returns are no longer to be selected for examination using the Local Classified Issues category.

Collaborate with the Department of Labor to Identify Form 5500

Nonfilers. We will work to identify and contact pension plan sponsors who have been identified as a potential non-filer of a Form 5500/5500EZ return. The list of potential non-filers will be identified using various information sources where a plan sponsor has either:

- Requested a favorable determination letter,
- Claimed a deduction for pension expenses on their corporate tax return, or
- Previously filed a 5500 series return and there is no record of plan termination, merger or consolidation.

The list of potential non-filers will be refined to eliminate duplication and data errors, and contact letters will be issued to a limited sample of the entities. Data gathered from the initial statistical sample will be used to assess the validity of the data sources and to perfect the contact list. A larger scale mailing may occur during the latter part of FY 2003.

Specific Goals and Objectives

□ **Business results (Quality)**

- *Timeliness (cycle time)* - Cycle time will be computed based on a 12-month “rolling average.” The national objective for FY 2003 is 215 days. This time is measured from the date the case is placed in AIMS status code 12 (assigned – taxpayer contacted) to the date it is closed (status code 90). The Director, Examination, will establish individual Area Office objectives.

While various cycle time and timeliness objectives have been established, it is emphasized to all managers and employees that cases should not be closed prematurely simply to meet a cycle time objective.

The cycle time objective excludes:

- All LMSB and EO Large Case Support returns,
- All EP Team Audit Large Case returns,
- All non-research sample Multi-employer returns,
- All non-return unit cases,
- Technical Advice Cases, and

➤ Appeals cases.

AIMS status code 55 identifies cases that have previously been suspended for technical advice, or have been to Appeals and returned to EP for closing. Project codes will be used to identify LMSB Large Case Support, EP Team Audit returns, and non-research sample multi-employer plans. EP AIMS Table 61 will be used to monitor cycle time accomplishments.

- Examination Quality – this score is determined by the results of the TEQMS review process. The FY 2003 goal is to further improve the overall quality of the examinations with a goal of achieving an 80% quality rate. The Director, EP Examination, will establish individual Area Office objectives. Actions will also be taken to develop and successfully execute an action plan to improve two examination audit standards:
 - examination planning; and
 - workpapers and reports.

TEQMS results will be published quarterly in monitoring reports from the TEQMS Review Staff. Managers should ensure that these reports are discussed with their employees.

□ **Business Results (Quantity)**

- *Performance Indicator* – This will be the number of returns closed. The number of examinations will be affected by the volume and timing of the determination receipts, and by the time needed to process the current backlog of determination cases in technical screening. The FY 2003 goal is 8,000 return closures. For FY 2003, monitoring of examined units will also be applied to all direct examination categories. EP AIMS Table 20 will be used to monitor this measure.
- *EP Market Segments* – New examinations of the previously selected EP Market Segments will continue. These projects will use the enhanced EP Market Segmentation Compliance Approach under the Compliance Research Program. This approach will be used to document baseline data and to assess the impact of EP's compliance activities on these three market segments. The enhanced approach includes four distinct phases:
 - Compliance Planning Phase,
 - Case Selections/Training Phase,
 - Project Examination Phase, and
 - Assessment Phase.

The following programs will continue in FY 2003:

- IRC 403(b)/457 Plans – new selections will be made taking into consideration the changes made in EGTTRA. Action will be

initiated to develop an IRM Audit Guide for IRC 457 plans. The pilot program for ineligible employers will continue.

- IRC 401(k) Plans – The baseline cases have all been assigned, and will continue to be worked throughout FY2003. The Automated Workpapers Project Cases will be worked with the objective of testing and perfecting the workpapers.
- Multi-Employer Plans – cases will continue to be selected based on number of participants and amount of assets. Program findings will be used to create baseline data, which will, in turn, be used to develop long-term compliance strategies.
- EPTA – EPTA groups should continue to work towards concluding all of their non-EPTA work and begin focusing exclusively on large team audit cases, including MAP, 403(b) and LMSB support work.

□ **Customer Satisfaction**

An overall rating of 5.7 is the goal for FY 03. The Director, EP Examination, will establish individual Area Office objectives. The Customer Satisfaction rating for the latest period (as of 3/02) for examinations was 5.77 out of a possible score of 7.0. Actions will be taken to address those areas where opportunities for improvement exist. Starting in FY2003, goals for the percentage of satisfied customers (those who rated EP Examinations a 6 or 7) and the percentage of dissatisfied customers (those who rated EP Examinations a 1 or 2) are being established. It is expected that these percentages will remain stable throughout FY 2003 due to the shifting of resources from examinations to determinations.

Summary of Performance Indicators

The following performance indicators will be used to assess the effectiveness of examination programs and activities:

Employee Plans	FY2002 Actual – Aug.	FY2003 Goal
Timeliness (cycle time)	213	215
Examination quality (as of 6/02 Quarterly Report)	77%	80%
Examination cases closed	7,558	8,000
Customer Satisfaction ³		
Overall Customer Satisfaction	5.77	5.7
Satisfied Customers (rating of a 6 or 7)	70%	70%
Dissatisfied Customers (rating of a 1,2 or 3)	7%	7%

³ The FY 2002 column is based on the July 2002 report that covers the quarter ending March 2002.

□ **Employee Satisfaction**

The FY 2003 Training Plan emphasizes the development of the workforce we began hiring in FY2000-2001. We will expand the Training Development Quality Assurance System (TDQAS) and continue to systematically review all training materials. TDQAS is a system that enables training developers, their managers, and EP Examinations to plan and build the level of quality desired in course development projects.

- ◆ Classes and OJT for EP Phases I, II and III during FY2003 have been scheduled.
- ◆ EP Workcenter (RGS 3.1) training classes for all examination agents will be scheduled. This should have a positive impact on our ability to attain the overall Examination quality goal by meeting the examination audit standard for workpapers and reports.
- ◆ Specialized training for those agents conducting MAP, 403(b), 401(k) and EPTA examinations will continue to be provided.
- ◆ Survey 2002 issues will be addressed and corrective action implemented as appropriate. Elevated issues will be addressed pursuant to existing guidelines.

□ **Examination Initiatives**

1. Fully conduct examinations of new automatic selections. (This includes Referrals, Claims, Reversions, and Determination Conversions).
2. Fully conduct new examinations supporting EO and LMSB, and fully conduct EP Team Audits.
3. Fully conduct examinations of new pension underfunding cases identified by the RICS database, and fully conduct non-return examinations of SARSEPs.
4. Continue to conduct new examinations of EPTA cases and the three EP Market Segments Multi-employer Plans, IRC 403(b)/457 Plans and IRC 401(k) Plans.
5. Complete and/or continue examinations on all cases that were started during previous fiscal years.

6. Fully conduct new examinations in identified Risk Assessment Projects, using the enhanced EP Market Segmentation Compliance Approach under the Compliance Research Program.
7. In order to accelerate the selection and examination of returns under the Risk Assessment Program, eliminate new starts based on locally classified issues.
8. Pending the issuance of additional guidance relating to cash balance plans, fully conduct audits of these plans to ensure compliance.
9. In coordination with the Department of Labor, begin identifying the Form 5500 non-filer universe.
10. A study will be initiated to determine if limited scope audits are an efficient use of resources, and are effective in improving compliance.

Examinations will also shift resources to support and augment the programs of Rulings and Agreements and Customer Education and Outreach.